Capital Markets Strategy
Essential inCights for the C-Suite

MUFG

Chart of the Day

It's been an extraordinary year for global equity market returns! Despite elevated geopolitical risk, sticky inflation and the largest trade war in a century, global equities have posted impressive returns in 2025. Numerous exchanges set records in 2025, with the MSCI World testing successive all-time highs throughout the year. US, European and Asian benchmarks also set multiple new records in 2025.

Overseas markets, led by Asia-Pacific exchanges in particular, generally outperformed US markets. Among major markets, **South Korea's benchmark** KOPSI index led all markets with extraordinary YTD returns of 75%, more than double the next closest major market. **EM equities** enjoyed excellent outperformance with returns above 30% after several years of underperformance. **Japanese** equities extended their multi-year structural outperformance trend. **European stocks** led developed market exchanges in 2025 and materially outperformed their US counterparts. **US equity** returns, though strong, were also more concentrated around AI-heavy megacaps, as compared to global benchmarks.

Key drivers of the strong performance include:

(1) resilient global economy in the face of trade escalation;
(2) contained inflation (even if sticky);
(3) global central bank & Fed policy easing;
(4) extraordinary AI and tech-driven expansion;
(5) broadening of the rally to include value & cyclical stocks;
(6) continued easing of financial market conditions (lower rates, tighter credit spreads, softer dollar, declining oil prices); and
(7) impressive double-digit growth in corporate earnings

Global Equities Surged Higher in 2025

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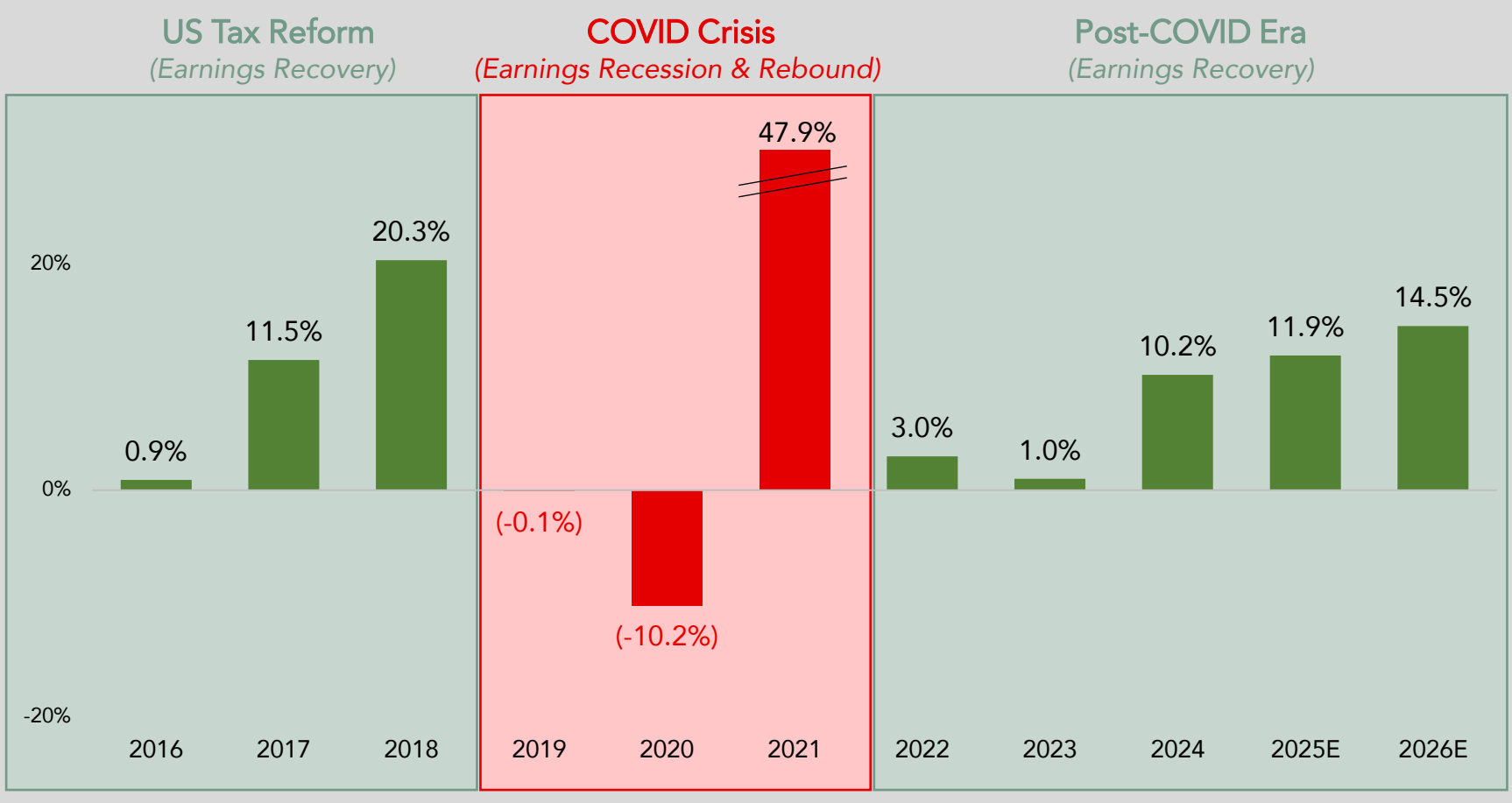
Regional equity market performance in 2025 YTD (total return)

KOSPI (S. Korea)	75.6%
Bolsa (Mexico)	33.7%
MSCI EM Equity	31.6%
Ibovespa (Brazil)	31.3%
Hang Seng (Hong Kong)	31.5%
TSX (Canada)	29.5%
Nikkei (Japan)	29.3%
Shenzhen (China)	28.9%
TWSE (Taiwan)	25.8%
STI (Singapore)	25.1%
TOPIX (Japan)	24.4%
NASDAQ	22.9%
FTSE 100 (UK)	22.0%
DAX (Germany)	21.4%
MSCI World	20.7%
Euro Stoxx 50	20.5%
CSI 300 (China)	19.9%
Shanghai Comp (China)	19.6%
Euro Stoxx 600	17.7%
S&P 500	17.7%
Russell 2000	14.7%
Dow Jones	13.7%
CAC 40 (France)	12.8%
Nifty 50 (India)	10.8%
FTSE 250 (UK)	9.9%

Corporate Earnings Expected to Accelerate in 2026

Wall Street equity analysts are expecting another strong year of double-digit S&P 500 earnings growth in 2026, driven by: (1) soft landing accompanied by Fed policy easing; (2) fading, albeit, sticky inflation; (3) AI driven growth and productivity gains; (4) continued corporate margin expansion to new record highs; (5) improved performance from cyclicals and financials and other non-AI sectors; and (6) sizable front-loaded OBBBA fiscal and tax stimulus in 2026. Excluding the post-COVID snapback in 2021, the 2025-26 pair would be the strongest back-to-back gains in corporate earnings since the tax-cut driven 2017-18 period.

S&P 500 annual earnings growth, y/y



Source: (1) Bloomberg. Data as of December 9, 2025. Equity market performance is total returns. (2) FactSet, Earnings Insight Report (December 5, 2025).

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"Macro stability isn't everything, but without it, you have nothing."